

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

October 26, 2005

Board Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2009

JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2007

JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2008

THOMAS CANDON, representing Commissioner of BISHCA

VAUGHN ALTEMUS, representing Commissioner of Education

JEB SPAULDING, VT State Treasurer

Also attending:

Cynthia Webster, Director of Retirement Operations

Elizabeth Pearce, Deputy State Treasurer

David Driscoll, Buck Consultants

Mark Hage, VT-NEA

David Beatty, Finance & Management

Tom Gorman, Deputy Auditor of Accounts

The Chairperson, Joe Mackey, called the meeting to order at 1:40 p.m. on Wednesday, October 26, 2005, held in Room 10 of the Statehouse, Montpelier, Vermont.

ITEM 1: Disability Retirements

- A. Ratify Disability retirement for: Elizabeth Dreibelbis
- B. Approve Disability Retirements for:
John Finn, Jane Kimball-Mitchell, Patricia M. Robinson

On a motion by Mr. Kaplan seconded by Mr. Altemus, the Board unanimously voted to ratify the disability retirement for Elizabeth Dreibelbis, and approve the disability retirements for John Finn, Jane Kimball-Mitchell, and Patricia M. Robinson, as recommended by the Medical Review Board.

ITEM 2: Actuarial Valuation

Along with the Board, Mr. Driscoll provided a review of the *June 30, 2005 Actuarial Valuation*. Mr. Driscoll reported the GASB 27 cumulative under funded amount at \$133,281,959, the FY'06 adjusted recommended contribution at \$56,627,046, FY'07 recommended contribution at \$59,239,829, and FY'08 at \$61,974,570.

Mr. Spaulding made a motion seconded by Mr. Candon, to recommend to the Governor an appropriation of \$59,239,829 (reflecting 8.96% normal cost at \$45,585,000 and \$13,654,829 towards accrued liability) for FY 2007, and \$61,974,570 (reflecting 8.96% normal cost at \$47,637,000 and \$14,337,570 towards accrued liability) for FY 2008.

Mr. Kaplan moved to amend the original motion to increase the requested appropriations by \$7 million per fiscal year to cover anticipated plan expenses, minus health care costs. *Motion failed* due to the lack of a second to the amendment.

The original motion as stated passed. Mr. Spaulding, Mr. Mackey, Mr. Altemus, Mr. Harris, and Mr. Candon voted yes. Mr. Kaplan voted no.

Mr. Spaulding provided a review of the status of the Funding Commission's findings and their recommendation for a package of reforms. He said the effort was to get the Legislature to take affirmative action to resolve the under funding crisis, and create a long-term plan to address its resolution.

Mr. Spaulding made a motion seconded by Mr. Altemus, for the VSTRS Board to increase the actuarial assumed rate of return by 25 basis points (from 8% to 8.25%), contingent upon the Legislature adopting the entry age normal (EAN) funding methodology (to replace the current frozen initial liability (FIL) method), re-amortization of the unfunded liability over 30 years (beginning July 1, 2006), and full funding of the (recalculated) FY 2007 actuarial recommendation.

The Board discussed the legislative accountability created by reallocating the current long-term under funded debt.

Mr. Kaplan moved to amend the original motion to bond for the \$242 million unfunded liability. *Motion failed* due to the lack of a second.

Mr. Kaplan made a motion seconded by Mr. Mackey, to amend the original motion to break the proposals into three separate motions. *Motion failed*. Mr. Kaplan and Mr. Mackey voted yes. Mr. Spaulding, Mr. Candon, Mr. Harris, and Mr. Altemus voted no.

The original motion as stated passed. Mr. Spaulding, Mr. Altemus, Mr. Harris, and Mr. Candon voted yes. Mr. Kaplan and Mr. Mackey voted no.

Mr. Kaplan and Mr. Mackey expressed their concern over the timeliness of receiving the actuarial report. Mr. Driscoll advised that reports were distributed as soon as possible, once each data was verified, noting that every attempt is made to avoid typos, etc., and assured the Board his responsiveness to inquiries would as always be prompt. Further discussed were requests to convert percentages listed on page 7 to dollars and list in a separate column, and a column listing projected assumptions vs. the actual.

The Board agreed the unfunded liability statutes would have to be amended to allow for changes in any benefits, if the Funding Commission recommendations were implemented.

On a motion by Mr. Kaplan seconded by Mr. Mackey, the Board unanimously voted to request the actuary to calculate the teacher 414(h) pick up post tax contribution rate.

Mr. Mackey distributed a comparison worksheet he created detailing similarities in the State Employees' and State Teachers' plans.

ITEM 3: Budget and Expense Discussion

Ms. Pearce distributed copies of a report outlining actual and projected expenses. The Board discussed the information and was advised based on the data gathered, the proposed FY'07 cost allocations would be adjusted to VSERS 36.50% vs. the current 41%, VSTRS 44.59% vs. the current 47%, and VMERS 18.92% vs. the current 12%.

ITEM 4: Travel Policy

Ms. Pearce advised the Board she had not completed the Policy evaluation and recommendation, however, would have information for the next business meeting.

ITEM 5: Approval of the August 19, 2005 Minutes

On a motion by Mr. Harris seconded by Mr. Spaulding, the Board voted to approve the minutes of August 19, 2005, as submitted. Mr. Spaulding, Mr. Harris, Mr. Altemus, Mr. Candon, and Mr. Mackey voted yes. Mr. Kaplan abstained.

ITEM 6: Any Other Business to Come Before the Board

The Board discussed and agreed to a polling of the Board to hold a business meeting on either December 13th or December 14th.

Next Meeting Dates:

The next business meeting of the VSTRS will be either December 13th or December 14th, 2005.
The next Vermont Investment Committee meeting is scheduled for November 29th and 30th, 2005.

Adjournment:

On a motion by Mr. Spaulding seconded by Mr. Altemus, the Board unanimously voted to adjourn at 5:45 p.m.

Respectfully submitted,

Donna Holden, Board Coordinator
for
Cynthia Webster, Secretary to the Board

Vermont State Teachers' Retirement System

GOALS: **The Board established the following list of goals to be addressed in the future:**

Support full appropriation

BOARD FOLLOW-UP ITEMS

Who	What	When	.
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**** = for possible legislative changes**

CLW	Identify all ROTC, PT/OT, & other & offer options (8/19/05 #1C)		
Beth	Travel budget and policy review (3/22/05) (6/15/05 #6) (8/19/05#1E)		